

Ops Take New Look at Launch Fees

By LINDA MOSS

Cash for carriage — the practice of new programmers paying upfront launch fees to get distribution — was all the rage a few years ago. And while deals of that kind are still being floated, and taken, ca-

ble operators are giving them a more careful, skeptical look this go-around.

"They [cash-upfront launch fees] are still out there, but they're not as hyped as they were before," said Brad Greenwald, vice president of sales and marketing at Time Warner Cable in Houston.



LAUNCHPAD: Animal Planet secured millions of additional subscribers after paying launch fees to cable operators.

"There is a clear understanding on the operators' part now that they come with a price tag."

In 1996, Rupert Murdoch's Fox News Channel made headlines when it offered cable operators, and even direct-broadcast satellite provider DirecTV Inc., roughly \$10 per subscriber to roll out the start-up 24-hour news network.

Discovery Communications Inc.'s Animal Planet, along with Home & Garden Television and CBS Eye on People, were also offering upfront launch fees, in the neighborhood of \$5 to \$8 per subscriber, according to operators.

Many of those deals — some of which were especially attractive because they had no strings attached to the money — are off the table now. But several new programming services, as part of their current distribution drives, are offering upfront money for launch — although it's often less per-subscriber than was previ-

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customers and is the nation's fourth largest MSO, weren't disclosed. Pax Net has reportedly been offering launch fees of up to \$6 per customer for analog carriage plus incentive fees for placement on a low channel on the dial. One report last week had Pax Net paying Comcast \$3 for each customer and turning over up to

four minutes of local ad avails out of the 12-and-a-half minutes Pax Net makes available each hour.

For that, Pax Net wants to be as far down on the dial as possible. If the service is placed high on the channel lineup or placed on a digital tier, the terms decrease. "We have an escalating incentive plan based on rollouts," said Pax Net spokesman Lea Sloan. "Sooner is better

and lower on the channel lineup is better."

Paxson is working to secure coverage in as many major markets as possible. With its latest deal with Comcast, Pax Net will now reach about 76% of the country's TV homes via 86 TV stations in markets that include 73 million TV homes, including stations in all of the top 20 markets and 43 of the top 50 TV markets.

The Comcast deal will give Pax Net clearance in Indianapolis, Baltimore and Fort Wayne, Ind. The network's signal is already available to two-thirds of Comcast's customers via Pax Net's owned-and-operated stations around the country which have secured must-carry status in their respective markets, Sloan said.

Most of Pax Net's stations are UHF outlets with poor dial positions in their markets and whose programming schedules consist of wall-to-wall home shopping at this point. Pax Net CEO Jeff Sagansky said Pax Net is prepared to spend tens of million of dollars in marketing and promotion to get people to tune to these stations.

To that end, Pax Net has hired Tobie Pate to serve as senior VP-creative services, overseeing the network's in-house network and station promotion departments. She was most recently a consultant with Market Leader, Smith & Co. and Citigate. She was also an executive producer with americast where she created content for the telco programming venture.

Some industry observers believe Pax Net will have a difficult time making money given the network's lineup of re-run programming that attracts older viewers. Those demographics don't generally generate high-priced ad rates. But Paxson is confident that the network will turn a profit quickly.

"This Comcast agreement along with the recent TCI agreement are important steps in ensuring that Pax Net will be seen in as many U.S. TV households as possible," said Paxson chairman Lowell Paxson. "Through these kinds of distribution agreements, we look forward to eventually expanding Pax Net's distribution into markets reaching over 80% of all U.S. television households."

Meanwhile, WB Network is hard at work securing carriage agreements from operators for its WeB signal in areas where WB's not available over the air. The WeB signal, which will be slightly different from the WB programming available to stations around the country, will be carried in white areas on TCI systems when the network launches in September. But a WeB spokesman said additional cable deals are expected in the coming weeks. ☐

Spot the difference quality makes

Comcast Signs Pax Net White Area Deal

BY K. C. NEEL

Comcast Corp. agreed last week to carry Paxson Communications' fledgling TV network on cable systems where Pax Net isn't available over the air via a broadcast station.

The Comcast deal will add 1.3 million cable viewers to Pax Net's viewing universe when the network launches Aug. 31. The latest deal is said to mirror a similar arrangement Paxson cut earlier this year with Tele-Communications Inc., which calls for upfront launch fees plus local avails the operator can sell advertising on.

Terms of the carriage deal with Comcast, which counts 4.5 million

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Digital

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response of a state government. That use, sponsors and celebrates gambling and is increasingly dependent on its rake-off from the industry.

TV rates: Up again?

For more than 140,000 Indianapolis-area cable television subscribers, the cost of service is going up — again.

Comcast Cablevision says it needs a rate hike of \$2.95 on its expanded basic service beginning Aug. 1. This comes on the heels of a \$3 increase for some Comcast subscribers last November.

The company says it needs more money to pay increases passed on by the networks and that it is losing market share to competition from broadcast satellite systems.

But until there is more openness and competition in the cable industry, it will be hard for consumers to accept that

such significant rate increases are justified.

While cable is indeed losing about 2 to 3 percent market share to satellite TV annually, in reality it's not much of a loss because the cable industry has bought heavily into that competition.

Of all the direct broadcast satellite companies, Prime Star

Much of the satellite competition that cable companies complain about is owned by them.

has been the most successful at penetrating cable TV's market share. Cable has about 85 percent of the subscriber market. Prime Star is owned by a partnership of cable operators: Tele-Communications Inc., Comcast and Time Warner. This means much of the satellite competition that cable companies complain about is owned by them.

The Federal Communications Commission now grants cable companies rate increases to cover the cost of purchasing new equipment, programming and other legitimate expenses. Subscribers would be less likely to oppose increases if Comcast and other companies were more open about costs.

Time Warner Cable owns several popular networks, including TBS, TNT, CNN, Turner Classic Movies, Cartoon Network and Headline News. Such arrangements encourage speculation that programming costs are padded.

"The cable doesn't want people to know how much they are paying for programming," said Rick Maultra, director of Indianapolis' Cable Communications Agency. "Some of the programming they are getting, not only are they not paying for it but they are getting paid to carry it. The FCC still allows them 20 cents a month, per new channel, even if they are getting it for free or they are getting paid for it."

Hiding programming contracts certainly isn't the best way to build trust and confidence among cable subscribers and encourage competition, which benefits everyone in the long run. Openness is the better policy.

Congress should look at whether ending FCC rate regulation and oversight for expanded basic service, scheduled to occur next March, is in the best interest of cable consumers. It's likely that it is not.

chise. While the number of people registered to vote rose by 3.5 million, says CSAE, the number of people who bothered to get their bottoms off the couch and go to the polls dropped by 8 million from the last presidential election year.

The report detects several causes for the trend, which has reduced turnout by 25 percent over the last three decades. Among the culprits are the fragmenting effects of TV and computers; the decline of community institutions; poor schools; nasty campaigns; and "shifts in values toward greater self-seeking and libertarian choice." Contrary to the common claim that lack of participation reflects a citizenry that is too content to worry about politics, Gans notes that the lowest rates are among those who are the worst off.

Asked if there could possibly be some benign explanation, Gans replies without hesitation, "No." But while voting is unfortunately necessary to keep a democracy functioning, let me suggest that the decline in turnout is not necessarily a cause for gloom.

Gans acknowledges that over the last generation,

Behind the scenes

MONA CHAREN

President Clinton's trip to China offered Americans many occasions to oooh and ahhh over China's economic progress, but little insight. We've been treated to scenes of bustling Shanghai life, to vistas of neon lights illuminating the Asian night, and to images of modern Chinese businessmen, chatting on cell phones as they speed from one appointment to the next.

These pictures will no doubt cement in many people's minds the belief — already widespread among American businessmen — that China is poised to become the economic powerhouse of the 21st century.

For a more balanced picture of China's strengths and weaknesses, open the July/August issue of the *American Enterprise* magazine, and put the Chinese economy's performance in context.

China has been growing at double-digit rates for many years. That's impressive. But China began from a point of such abject poverty that even robust growth rates do not bring her to parity with advanced industrialized countries. And the growth rate is slowing.

The average Chinese today earns 4 cents for every dollar earned by the average American. The U.S. gross domestic product is about two and a half times larger than China's. If China catches up, her people will still be much poorer, since the GDP will have to be divided among a population five times as large. Even if China does become "the world's largest economy" 30 years from now, most of her resources would necessarily be spent on food, fuel and providing the basics of a decent life to more than 1 billion people.

But whether China will ever catch up is by no means clear. China's despotic leadership has loosened the reins on the economy some, but the fundamentals of a free market are not in place. Property rights are not guaranteed. The rights of individuals are not respected. There is no tradition of the sanctity of contracts.

If the rest of Asia is suffering the effects of "crony capitalism," China is under the sway of "crony communism." As Christopher Lingle observes, there are roughly 300,000 state-owned enterprises in China and three-quarters of them are bankrupt, kept afloat by obligatory loans from state-owned banks.

The state-owned banks are also compelled to make loans to favored private enterprises, one of the many corruptions inherent in the current system. The

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THE INDIANAPOLIS STAR

EUGENE C. PULLIAM 1889-1975, Publisher 1944-1975

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Comcast increases cable television fee nearly \$3 a month

By Chris O'Malley

STAFF WRITER

Most of Comcast Cablevision's 149,000 Indianapolis customers will see their bills increase about \$3 a month — the second such increase in less than a year — beginning in August.

The \$2.95-per-month rate increase is likely to draw fire from the city's Cable Communications Agency, which expects to file a challenge with the Federal Communications Commission.

"You can bet the mortgage I'll have them review this rate increase. I'm sure we'll be deluged with complaints," said Rick Maultra, director of the agency.

The increase overshadows Comcast's plans to unveil its digital cable service on Monday. The optional service will allow customers, for an additional fee, to receive crisp video and audio, additional programs — and cable Internet access as early as mid-1999.

But the compulsory rate in-

crease, for the cable company's most popular packages likely will arouse the strongest passions at first.

Subscribers to Comcast's popular "full basic service," who now pay \$31.81 a month, would pay \$34.76 a month starting in August. Comcast raised rates by \$3 a month in November.

Some customers won't see a rate increase. Subscribers to Comcast's least-expensive "limited basic cable" still will pay from \$10.64 to \$10.95 a month. Also, customers in areas where Comcast has yet to upgrade its system with fiber optic cable — about 30 percent of customers — likely won't see the rate increase until later this year or early next.

The company said a big reason for the rate increase is increased fees for programming by the networks it carries.

"People are never happy to see the costs of their programming go

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DIGITAL CABLE: David A. Wilson, area vice president of Comcast, stands amid new satellite dishes that will permit the firm to offer digital cable TV, starting Monday. However, a rate hike for full basic cable could overshadow the new service.

COMCAST

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up, and we sympathize with that. But to continue to provide the quality service our customers are used to, we occasionally have to make a price adjustment," said Mark Apple, Comcast's community relations manager.

The city's Maultra said, he doesn't have data to show whether Comcast's increase is justified.

But he said the FCC has been studying cable's proprietary programming contracts. He said cable companies don't pay for all of their programming. Some niche networks pay a fee to appear on cable. Yet some cable providers appear to be charging a fee to customers — essentially double-dipping, he said.

Maultra said he's also suspicious about a cable company moving up the date of its annual increase by several months.

In March, a federal provision that allows groups such as the city's cable agency to request FCC review on certain cable complaints is set to expire.

Critics say cable companies want to raise rates now — rather than later this year — so as not to goad opponents in Congress to extend regulatory reviews of the cable industry.

Comcast said it is conducting a rate increase now, rather than in November as it did last year, for other reasons.

One is that manufacturers and retailers of digital satellite systems, which have cut into cable's market, tend to do their heaviest marketing around the Christmas holidays. Raising cable rates in November gives the satellite industry more ammunition to use against cable in selling dishes, according to Comcast.

It's unknown whether city officials can squelch the rate hike. The city agency appealed to the FCC about 1996 rate increases by Comcast and 1997 rate increases by another cable provider in Indianapolis, Time Warner.

The FCC ruled in the city's favor, raising the prospect of hundreds of thousands of dollars in overcharges being refunded to customers or applied as a credit toward future rate increases.

The companies appealed the decision with the FCC, however, and the matter appears in limbo.

Time Warner said Wednesday that its next possible change in cable rates won't come until January. All the rate disputes threaten to

obscure a significant new service Comcast will launch Monday when it becomes the first cable company in the city to offer digital cable service.

For \$9.95 a month, customers can rent a set-top box that will enable them to receive a crisp video and audio signal like that of digital satellite systems (DSS).

The option is possible as part of a \$72 million project to rebuild 3,220 miles of Comcast's network here, including adding fiber optic cable.

The upgrade allows Comcast to compress signals digitally into one-tenth the space of an analog channel, making room for new channels and/or better picture quality. Comcast's new digital cable includes 2 premium movie channels, 40 channels of music and 38 pay-per-view channels.

Some of these channels will be entirely new to Comcast's lineup, including new offshoots of HBO and Cinemax.

The digital system also provides an on-screen interactive guide displaying program schedules and descriptions of programs. Parents can also block out objectionable programming for children — by rating, movie rating and channel numbers.

The features are much like the DSS system, though there are some differences.

Comcast is offering only premium programming digitally, not mainstream cable channels such as CNN and The Discovery Channel.

Those remain analog because converting them to digital would require all subscribers to rent the converter box, for the extra \$9.95 a month.

Additional system upgrades, probably by mid-1999, will allow Comcast to roll out Internet access. Comcast said the digital system may allow downloads at about 100 times faster than conventional telephone lines.

Comcast already offers the service in Baltimore, where its cable Internet service starts at \$39.95 a month. Comcast hasn't announced Internet access prices for Indianapolis, however.

Time Warner is also upgrading its system to allow for Internet access in Indianapolis, with service likely to start next year.

However, Time Warner plans to offer Internet access before it offers digital TV/music programming.

"Our customers are more interested in high-speed Internet access than cable channels," said spokeswoman Shary Hoffman Meadows.

Comcast's Summer Programming Additions

This summer, Comcast will add several new networks to its already diverse upgraded channel line-up. While some of these channels will be available only to those customers who choose to subscribe to Comcast's new digital service, other channels will be available to customers who subscribe to the Full Basic Service and live in Comcast's upgraded area.

New Digital Programming

Multiplex HBO

Ten screens of various HBO networks, including HBO Family, a 24-hour movie-based channel showing uncut, unedited feature films as well as series and documentaries created for family viewing. The channel will air no programming with ratings stronger than PG-13.

multiMax

Six screens of various Cinemax networks, including MoreMax, a network featuring popular but hard to find movies. MultiMax also features Mountain and West Coast time zone feeds, offering digital customers more opportunity to see all of the great programming.

The Movie Channel

This premium service, featuring at least two original movies each month plus daily movie marathons, will be offered at no charge to all Showtime subscribers.

Music Choice

Forty channels of crystal clear CD-quality music programming, Music Choice features all the hits as well as music you won't find on any radio station in the Indianapolis area. Best of all, it's commercial free! Music formats include Hit List, Jazz, Blues, Classic Rock, Alternative Rock, Big Band, Classical Masterpieces, Today's Country, Contemporary Christian, Show Tunes, Rap, Soul Classics, Tropical and more.

Comcast Home Theater

Thirty-eight channels of pay-per-view programming are available to digital subscribers. Now, you're favorite movies start every half-hour. Digital-quality audio and video make the home theater experience even more spectacular.

New Programming on Full Basic

Game Show Network

It's "All Play, All Day!" at Game Show Network, a channel overflowing with fun as it offers a diverse collection of game show favorites, hip new original series and involving interactive games. Comcast will launch Game Show Network July 31, 1998, on channel 80.

Odyssey Channel

Odyssey Channel offers quality religious, spiritual and values-based programming from an interfaith perspective. Its program lineup features documentaries, worship, talk and call-in shows, music, children's programs, dramas and movies. Odyssey will launch part-time (midnight to 6 a.m.) on July 31, 1998, on channel 27.

Premium Programming for Rebuild Customers

Multiplex HBO and The Movie Channel will be available to Comcast customers who already rent existing converters and live in the rebuild area. Those customers will receive HBO 2 and HBO Family at no additional charge if they already pay for HBO. Those customers who already pay for Showtime will receive The Movie Channel at no additional charge.